

TO: Division Directors, Deputy Directors, Senior Administrative Staff, Executive Director's Office  
DEPARTMENT OF NATURAL RESOURCES

FROM: Wade Buchanan, Acting Executive Director  
DEPARTMENT OF NATURAL RESOURCES

DATE: October 1, 1998

SUBJECT: Administrative Order DNR 01-99  
DNR Policy on Discretionary Pay Differentials

Attached is the DNR policy to implement Discretionary Pay Differentials.

#### Background

Prior to July 2, 1998, State managers were limited in their ability to address compensation issues related to performance, recruitment and retention. Colorado Peak Performance (CPP), mandated by legislation and executive direction, introduces: (1) the private sector concept of linking pay to performance and  
(2) more flexible human resources practices to reflect the State's business needs.

The current critical supply and demand market of information technology (IT) professionals provided the impetus for taking immediate action to find ways to allow more flexibility in recruiting, hiring and retaining these professionals. Consequently, André Pettigrew, Executive Director of Department of Personnel, General Support Services, (DOP/GSS) convened an IT Action Group to investigate best recruitment and compensation practices of IT professionals. The group's recommendations included implementing discretionary pay differentials commonly used in the private sector. Pettigrew proposed procedures and conducted public hearings to establish discretionary pay differentials in Personnel Rules and Procedures, Chapter 4, Article 9.

#### General Purpose

The discretionary pay differentials were designed within flexible guiding principles. However, agencies are urged to balance flexibility with proper accountability and consistency. In addition, the differentials are **not** intended to replace other appropriate

human resources processes, i.e. individual allocations, promotions, etc. The pay differentials are to be used at the **discretion** of each agency appointing authority or designee and are not generally subject to employee grievance or appeal. (NOTE: The only exception is the discontinuance of **base-building matching pay** due to performance where appeal rights for disciplinary action would apply.)

### **Definitions**

Attached is a chart labeled “Features of Discretionary Pay Differentials” which summarizes these new compensation alternatives for permanent employees. There are four types of discretionary pay:

**Matching pay** is money offered to an employee to:

- match a bona fide job offer/salary made by another employer
- reward for accepting a transfer to another position in the same pay grade, or
- ease internal grade compression where the pay rates of current, longer-term employees are raised to the rate of newer employees in the same class.

**Signing bonus** is a one-time payment used to attract new employees into the state personnel system.

**Referral award** is paid to reward current employees for referral and hire of an applicant into a position with unique, critical, specialized skill when there are documented market shortages, recruitment/retention difficulty in an agency.

**Temporary pay** offers additional compensation to current employees for specific circumstances as an alternative to substantially altering the permanent job assignment to justify a higher classification. Among the categories envisioned are:

- acting assignments
- long-term, mission critical projects; and
- critical skill/knowledge where recruitment/retention difficulty exists.

It is expected that DNR appointing authorities and managers will implement this DNR Administrative Order, the policies and procedures effective October 1, 1998, upon completion of procedures. I am directing the DNR’s Budget Director, Human Resources Manager and Accounting Manager to review the implementation of this policy no later than September 30, 1999.

Further, I am asking each appointing authority to use these differential awards in conjunction with the DNR’s policy on “Employee Incentives and Rewards for Citizen Satisfaction outlined in DNR Administrative Policy 01-97 (copy attached) for employees who have provided the state with services above and beyond their standard responsibilities.



## ADMINISTRATIVE ORDER

NUMBER: DNR 01-99

DATE: October 1, 1998

### THE DEPARTMENT OF NATURAL RESOURCES AND ITS DIVISIONS POLICY ON DISCRETIONARY PAY DIFFERENTIALS

#### **GENERAL REQUIREMENTS:**

- **The statutory lid applies in all cases.** No combination of base pay, non-base building differential(s) and CPP awards is allowed to exceed the salary lid in any month.
- Range maximums are not a limiting factor for non-base building discretionary pay differentials. (Note: This is not the same as CPP non-base building performance awards.)
- Base-building payments cannot exceed the job rate of a pay range.
- DNR agencies must adhere to this policy outlining criteria for use of discretionary pay differentials that is based on sound business consideration and needs. These may include: existing budget (PERA, labor costs, etc.); internal grade compressions (position in relationship to others in the class); hiring above the minimum salary range; market conditions (documented recruitment problems); turnover rates for the job in contrast to other jobs and other causes.
- Managers controlling budgets and staffing are accountable for their decisions concerning all aspects of use of the discretionary pay alternatives.
- Awards/differential pay must be funded within existing budgets.
- Awards/differential pay must be documented in writing as outlined below in the DNR policy.
- DNR agencies will report on any aspects of the pay differential when requested by DNR management, state personnel director or DoP, GSS.

#### **MATCHING PAY**

#### **DEFINITION:**

“Matching pay” allows permanent or temporary salary movements of **current** employees in the same pay range for the following reasons: (1) **counter offer** for a verifiable, bona fide internal/external job offer or (2) **compression adjustment** where pay rates of current, longer-term employees is raised to the rate of newer employees, or other business reasons as determined by an appointing authority.

## **PURPOSE:**

Provides a tool to retain current employees that increases options to raise the pay of current employees (remaining in their current job/pay range) to include: (1) anniversary increases, (2) performances awards, (3) salary survey increases and (4) matching pay (counteroffer or compression adjustment). Matching pay is not to be used to match CPP awards received by other employees.

## **SCOPE:**

The appointing authority/delegee will determine the following matching pay differential “payout” decisions:

- Base building vs. non-base building (or combination)
- Number and timing of payments
- May be conditioned on needs and revoked if needs discontinue
- Amount to be paid (limited by job rate and statutory salary lid)
- Pay outs will be given at the regular payroll cycle
- Pay outs may be distributed during more than one pay period since pay is limited by the statutory salary lid
- Pay may be revoked based upon unforeseen conditions of documented business needs.

## **SIGNING BONUS**

## **DEFINITION:**

“Signing bonus” is a lump sum payment(s) used to attract **new** employees into the State Personnel System for the following reasons: (1) to fill critical positions where labor market shortages exists or documented recruitment/retention difficulty that jeopardizes the agency’s mission or (2) applicant possesses unique and critical skill in relationship to the market.

## **PURPOSE:**

Provides an additional tool to attract new employees in positions where labor shortages or recruitment difficulties exist. Signing bonuses are **non-base building** and can be used in combination with OR in place of “in-grade” or above the minimum pay range beginning salaries.

## **SCOPE:**

The appointing authority/delegee may offer signing bonuses. Payment of signing bonuses will be made in two separate payments. 50% of the signing bonus will be paid in the first pay period of employment. The other half will be paid upon certification of the employee. Signing bonuses will be offered to individuals filling positions where a unique and critical skill set or recruitment difficulty exists. (Must be approved by DNR Human Resources Specialists.) SPECIAL NOTE: Employees receiving a signing bonus must sign a written agreement that specifies no PERA contribution will be made and that the these monies can not be used for computing overtime pay.

## **REFERRAL AWARD**

### **DEFINITION:**

“Referral award” is paid to **current** employees who locate potential job candidates and are subsequently hired into the state personnel system where the job requires unique specialized skills and there is a documented skill shortage in the market and recruitment or retention difficulty in the agency.

### **PURPOSE:**

Rewards current employees for the referral and subsequent hire of a new employee who has unique, specialized skill where there are **documented market shortages** and recruitment and retention difficulty.

### **SCOPE:**

Referral awards are not intended to increase the State’s recruitment costs. Employees who have significant influence or responsibility for the hiring process are **ineligible** for this award, including human resource professionals, hiring supervisors or managers.

Appointing authorities are limited to \$300 per employee eligible for the referral award. Documented market shortages and recruitment and retention difficulty must be pre-approved by DNR Human Resources Specialists. DNR may place this information on job announcements in classes where market shortages, recruitment and retention difficulties exist.

## **TEMPORARY PAY**

## DEFINITION:

“Temporary pay” is paid to **current** employees who remain in their current position as follows:

**Acting assignment**—Employee who assumes a full set of duties of a higher level position for no less than 30 days and no more than 6 months when the position is vacant or an incumbent is on extended leave.

**Project assignment**—Employee accepts a long term, mission critical project with specific limited timeframes and results, where the work is not a normal part of the regular job duties.

**Critical skills or knowledge**—Employee possesses critical skills/knowledge important to the agency where there is a documented market shortage and recruitment difficulty. Loss of this employee would result in severe adverse impact to the agency’s mission/productivity.

## PURPOSE:

Provides a tool to compensate employees accepting specific short-term assignments on a non-base building basis, which can be paid through regular payroll processes. Temporary pay differentials are **not** intended to circumvent the individual allocation or promotional processes.

## SCOPE:

- The appointing authority/delegee will determine the following temporary pay differential “pay out” decisions:
  - Amount to be paid
  - Length of award, with acting appointments limited by six months.
  - Eligibility for payment
    - Criteria for written documentation of unique and critical skill set or recruitment difficulty (must be verified by DNR Human Resources Specialists), or
    - Verification that full set of duties and authorities are attached to the **acting** assignment (Not for short absences or situations where full authority is not attached), or
    - Project assignment & critical skills that include an annual assessment process

## PROCEDURE:

All DNR agencies must ensure that any additional policies conform to this administrative order. Any written policies should be presented and approved by the DNR Human Resources Manager prior to administering discretionary pay awards. Each request will

be reported on 1) the Natural Resources Personnel Action Report (PAR) form and 2) the attached Differential Pay Award Agreement to document each transaction. Appointing authorities are required to use the form to clearly outline the terms and conditions of the differential pay.

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Wade Buchanan  
Acting Executive Director  
Colorado Department of Natural Resources

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Date

# **FEATURES OF DISCRETIONARY PAY DIFFERENTIALS EFFECTIVE 7-2-98**

## **Colorado Department of Natural Resources**

	<b><u>MATCHING</u></b>	<b>TEMP PAY DIFF</b>	<b>SIGNING BONUS</b>	<b>REFERRAL AWARD</b>
<b>Eligibility</b>	Current employee	Current employee	New employee	Current employee, except hiring authorities and HR.
<b>Purpose</b>	Keep employees. <ul style="list-style-type: none"> <li>➤ Counteroffer to bonafide job offer*</li> <li>➤ Compression adjustment</li> </ul>	Keep/reward employees <ul style="list-style-type: none"> <li>➤ Acting = higher level assignment that is more than 30 days but less than 6 months</li> <li>➤ Project = long-term, mission-critical project that is outside the scope of the regular assignment</li> <li>➤ Critical skills = unique set of skills required for job that cannot afford to lose when documented labor shortage or recruiting difficulty</li> </ul> Not used to circumvent the job evaluation process	Attract potential employees <ul style="list-style-type: none"> <li>➤ Lump sum(s) to applicant who is hired in job with documented labor shortage or recruiting difficulty</li> </ul>	Reward employees <ul style="list-style-type: none"> <li>➤ Lump sums paid to current employee who refers a person who is subsequently hired into a job with documented labor shortage or recruiting difficulty</li> </ul>
<b>Pay Type</b>	Permanent or temporary* Base building up to job rate	Temporary Non-base-building up to lid in any month	Temporary Non-base-building lump sum(s) not to exceed the lid in any given month.	Temporary Minimum of 2 non-base-building lump sums not to exceed the lid in any given month; total amount cannot exceed \$300
<b>Pay-out</b>	Base is regular payroll Non-base-building is flexible (up to lid in any month)	Flexible (up to lid in any month)	Flexible number (up to lid in any month). Allows for forfeit or repayment if leave before agreed upon service period.	Flexible number as long as at least 2 (up to lid in any month). Both employees must still be employed when the 2 <sup>nd</sup> , or later, payment is due.
<b>Budget</b>	Within existing dollars.	Within existing dollars.	Within existing dollars.	Within existing dollars.
<b>Plan</b>	Agency must have a written plan and communicate it within the agency.	Agency must have a written plan and communicate it within the agency.	Agency must have a written plan and communicate it within the agency.	Agency must have a written plan and communicate it within the agency.
<b>Agreement</b>	Must have individual written agreement with amount, terms and conditions	Must have individual written agreement with amount, terms and conditions	Must have individual written agreement with amount, terms and conditions	Must have individual written agreement with amount, terms and conditions
<b>Dispute</b>	No grievance or appeal	No grievance or appeal	No grievance or appeal	No grievance or appeal
<b>Personnel Procedure</b>	P 4-9-2	P 4-9-5	P 4-9-3	P 4-9-1

\*Non-base building up to lid in any month